



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
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**STATEMENT OF SALLYANNE HARPER
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BEFORE THE
GOVERNMENT, MANAGEMENT, AND INFORMATION
TECHNOLOGY SUBCOMMITTEE
U.S. HOUSE OF REPRESENTATIVES**

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Mr. Chairmen and Members of the Subcommittee:

Good afternoon. My name is Sallyanne Harper. I am Chief Financial Officer of the Environmental Protection Agency. My office is responsible for implementation of the Federal Activities Inventory Reform (FAIR) Act in EPA.

I especially appreciate this opportunity to testify today because I believe that EPA has developed a sound and workable means of complying with the FAIR Act. Let me briefly explain.

First, we received very helpful early guidance and support from OMB in conducting the inventory. This made a big difference in getting a quick and informed start.

To satisfy the spirit and intent of FAIR, we wanted our inventory to represent a comprehensive survey of all commercial functions and activities and the Full Time Equivalents (FTE) performing them. Next, we decided at the outset to do a "bottom up

inventory" of our commercial activities. This was accomplished by identifying 22 reporting entities in the agency's organization. These entities were assigned responsibility for conducting the inventory within their respective organizations.

We convened an agency-wide workgroup of these entities, including our unions, to emphasize the importance of assessing each function and activity based on criteria in FAIR and OMB Circular A-76. Another point we stressed was to link the inventory and the activity function codes to strategic goals of the agency. We met with the workgroup several times, primarily to make sure everyone understood what the FAIR Act requirements were and to assure as much as possible a reasonable consistency in how each entity approached its inventory. I think we achieved that objective.

One important question that arose concerned the same position series, such as secretaries or analysts, found in most or all of the reporting entities. It was clear that while the position title may be the same, it was often the case that the people performing the work were carrying out different functions. This reality made a bottom up inventory all the more essential.

My staff reviewed draft agency inventories as they came in and requested in several instances that the entity take another look at the numbers as well as consulting with other offices. I think this kind of oversight was vital to quality assurance of the inventory.

While the inventory was underway, my staff prepared background information on how we would handle challenges and appeals. We also introduced a delegation process that would allow us to review and act on challenges and appeals in an efficient and cost-effective manner.

We completed the inventory on June 30, 1999. The overall result was that approximately 5 percent of the agency's workforce or 829 FTE were involved primarily with commercial activities. The majority of functions shown on the inventory represent, in our judgment, commercial core capability and therefore represent FTE that should be retained in-house. Factors considered in the evaluation process included the nature of the function, the degree of discretion exercised in performing the function, the sensitivity and confidentiality of the information required to perform the function, and the significance to core agency activities.

Just as important is our unique regulatory role. In that regard, we considered the need to maintain appropriate in-house expertise and staff capabilities to effectively apply and enforce the nations's environmental laws in meeting our statutory mandates and emergency requirements.

While fundamentally a matter of judgment, the inventory helps illustrate several important facts of EPA life. The agency is already heavily contracted out to a point where we estimate conservatively that another 11,000 to 15,000 employees would have

to be hired if we did not receive contractor funding. About 75 percent of our total budget funds extramural work; work performed by outside entities including contractors, states, universities, and others.

Historically, EPA's dependency on contractors has raised some special concerns.

During the decade preceding 1995, the Agency's contract resources increased at ten times the rate of EPA staff. The Agency was roundly criticized, both by its own IG and by the Congress, for having become too dependant on its contractors. The over-reliance on contract support had led to a depletion of the Agency's ability to carry out its mission because of a loss of critical in-house scientific expertise. Equally important, the Agency had lessened its capacity to manage its resources effectively and in some cases had improperly contracted inherently governmental functions. In 1995, to address these concerns, the Agency requested, and the Congress approved a substantial realignment of Agency resources authorizing the conversion of 900 workyears of contractor support to Federal employees.

I submitted our inventory to Mr. Lew, Director of OMB on July 1, 1999. OMB subsequently completed their review and consultation of our inventory, publishing a notice of its availability on September 30, 1999. This started the 30 day clock running for interested parties to submit a challenge. As of Tuesday, we have received 21 requests for the inventory. No challenges have been received to date.

All challenges from interested parties will first be referred to the EPA entity providing that part of the inventory. Where more than one office is involved, the one with the most FTE listed on the inventory will take the lead. The other offices affected by the challenge will provide input to the lead office regarding the activities they reported on the inventory.

The appropriate agency office will respond to all challenges within 28 calendar days of their submittal. The designated official will submit the draft challenge decision to my office and to the Office of General Counsel for review. Once a consensus has been reached, the challenge decision will be given to the interested party.

If the challenge is denied, the interested party has 10 working days to appeal after receiving written notification of the challenge decision. As the Chief Financial Officer, I will rule on all appeals within 10 working days of their filing, including the rationale for the decision.

As required under FAIR, if our inventory changes as a result of a challenge, we will transmit to OMB and the Congress a copy of any changes to the inventory and make the changes available to the public through publishing a notice in the Federal Register.

I should also add that the General Accounting Office, which is represented here today, is reviewing our inventory process. My understanding is that they are preparing an

analysis of similarities and differences among several agency inventories. I welcome this effort and think that it will improve future inventories.

I would like to take a final moment to suggest an improvement related to the implementation of FAIR. I would recommend that there be an explicit linkage of the FAIR inventories to the Government Performance and Results Act. We associated each FTE identified as commercial with one of the agency's strategic goals. This helps with workforce planning and budgeting, and it reveals those goals where opportunities might exist for cost-effective public-private partnerships.

I want to thank the Subcommittee for this opportunity to testify on our implementation of FAIR. I would be happy to respond to any questions that you may have.